

Multifamily Seller/Servicer Guide

Chapter 65

Green Report Requirements

65.1 Green Up® Assessments and Green Up Plus® Assessments (10/12/17)

This chapter sets forth the requirements, duties and responsibilities of the Seller/Servicer and the Green Consultant to provide a Green Assessment® or a Green Assessment Plus®.

Unless stated otherwise, the term Green Report is used collectively in this chapter to refer to the Green Assessment and the Green Assessment Plus Reports. The purpose of the Green Report is to

- Analyze current energy and water consumption
- Evaluate how the building is operated and identify measures to increase operational efficiencies
- Provide an ENERGY STAR® Energy Score as determined by Portfolio Manager®
- Provide an EPA 1-100 Water Score as determined by Portfolio Manager
- Identify the energy conservation measures and water conservation measures from which the Borrower will select the Green Improvements

A Borrower must inform the Seller/Servicer if the Borrower is interested in obtaining a Green Report. The Borrower must select qualifying conservation measures from among those identified by the Green Consultant in the Green Report before Freddie Mac will confirm that the Property is eligible for Green Up or Green Up Plus. The conservation measures selected by the Borrower will be documented as Green Improvements in the Green Improvement Rider to the Loan Documents.

In addition to obtaining a Green Report, the Seller/Servicer must also obtain other applicable third party reports (Appraisal, property condition report, seismic risk assessment report) as required by the Guide.

65.2 Specific Seller/Servicer duties and responsibilities (02/28/19)

- a. The Seller/Servicer must select, retain and direct the Green Consultant.
 1. Prior to retaining or employing a Green Consultant, the Seller/Servicer must review at least three references from lenders who have retained or employed the Green Consultant to sufficiently evaluate the Green Consultant's capabilities and performance.
 2. The Borrower must not retain or direct the Green Consultant. However, the Borrower may be responsible for paying the costs of all Green Consultant services above the reimbursement which Freddie Mac has agreed to pay upon Freddie Mac's purchase of the Mortgage.
 3. The Seller/Servicer is accountable for the Green Consultant's performance.

- b. The Seller/Serviceicer must obtain, review and verify the Green Consultant's credentials, licensing, applicable certifications, as well as information related to affiliations or memberships in professional organizations.
- c. The Seller/Serviceicer must maintain a separate Green Consultant file for all Green Consultants that includes the Seller/Serviceicer's ongoing evaluations of each Green Consultant's performance, as well as the Green Consultant's current resume, required references and a copy of the current certificate(s) of liability insurance in accordance with the requirements of Section 11.5.
- d. The Seller/Serviceicer must provide the Green Consultant with 13 months of utility consumption data for all owner paid utilities. If tenants pay for utilities consumed in the units, the Seller/Serviceicer must obtain at least 10 percent of tenant consumption data. In addition, the Seller/Serviceicer must obtain all information pertaining to the maintenance, repair and replacement of major building components or systems before the Green Consultant completes the Green Report.
- e. The Seller/Serviceicer must obtain a Green Report for the Property, including
 - Reviewing the Green Report to ensure that it complies with Freddie Mac's requirements
 - Providing a copy of the Green Report to the Borrower so that the Borrower may select conservation measures
 - Directing the Green Consultant to share Property information with Freddie Mac in Portfolio Manager
 - Ensuring that the Borrower has a Portfolio Manager account and ensuring that the Green Consultant has access to the Borrower account so that the Property data that is input by the Green Consultant can be shared with the Borrower
- f. The Seller/Serviceicer must monitor completion of the Green Improvements and compliance with the benchmarking requirements in Section 39.10 and the Loan Documents by ensuring that the Borrower
 - Includes funds for the completion of the Green Improvements in compliance with the requirements in Chapter 39 and the Loan Documents
 - Completes the Green Improvements within the timeline identified in the Loan Documents
 - Retains a Benchmarking Data Consultant that meets the requirements set forth on the Benchmarking Data Collection – Consultant Requirements document located on the Freddie Mac Multifamily website
 - Reports on energy and water consumption through the Benchmarking Data Consultant as described in Section 39.10 and in the Loan Documents
- g. The Seller/Serviceicer must direct the Green Consultant to include in the Green Report the reliance provisions found in Section 65.3(a)(3)

65.3 Green Report requirements

a. General requirements for Green Reports (10/12/17)

The Green Consultant's work must be based on the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) Level 1 Standard (contained in "Procedures for Commercial and Energy Audits, Second Edition", as amended from time to time) and the requirements of this Chapter 65.

1. Each Green Report must
 - a. Be prepared by a Green Consultant who meets the qualifications and requirements stated in Section 65.7
 - b. Include information disclosed by an inspection of the Property
 - c. Meet the requirements of Sections 65.4 and 65.5
 - d. Clearly state any limiting conditions and the intended purpose of the Green Report
 - e. Identify deviations from the Guide requirements and the most recent version of the applicable ASHRAE level standard
 - f. Be dated within six months prior to the date on which the full underwriting package is delivered to Freddie Mac
 - g. Be submitted on Form 1106, Green Report
2. The Green Report also must include the following:
 - a. All information the Green Consultant reviewed, including all data and records provided by the Borrower and documentation reviewed in accordance with Section 62.4. Key documents, such as renovation scope of work and budgets, should be included in the report appendix
 - b. Sufficient standard-size color photographs as are necessary to illustrate the equipment and conditions discussed in the Green Report. The Green Consultant must determine the number of photographs that will be necessary and include the photographs in the appendix, with a narrative describing each photograph
 - c. The resume of the individual performing the on-site inspection
 - d. The resume of the individual conducting the energy and water analysis, if different from the individual who performed the inspection
3. The Green Report must include the following reliance provisions:

“This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns (“Lender”);
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

b. Specific requirements for a Green Assessment report (12/17/19)

1. The report must reflect the results of an audit which identifies cost effective energy and water conservation measures (EWCMS) that could result in reduced energy and water consumption based on the following:
 - a. An inspection of the Property

- b. An analysis of consumption data over the previous 13 consecutive months
 - c. Interviews with site contacts that are knowledgeable regarding Property operations
2. In compliance with the ASHRAE Procedures for the Level 1 analysis, the Green Consultant must complete the “Preliminary Energy Use Analysis” (PEA) that includes a water analysis, conduct a site visit in accordance with Section 65.5, and produce a report in compliance with the requirements of this chapter.
3. The Green Consultant must perform the following and document results in the Form 1106, Green Report:
 - a. Analyze the historic energy and water use, peak demand and cost by reviewing at least 13 months of whole building data, or if whole building data is not obtained, all common area and at least 10 percent of tenant energy and water consumption data. If tenant energy and water consumption data is not available from the Borrower, the Green Consultant must make every effort to obtain this information from the local utilities (typically aggregated data) within the required Green Report deadline. If no tenant consumption information is available, the Green Consultant must estimate water and energy consumption for all tenant space based on buildings of similar use, similar construction and location
 - b. Document the existing energy- and water-consuming equipment (model number, capacity, efficiency, condition and fuel source)
 - c. Document current energy and water consumption in Portfolio Manager and link the Property data to the Borrower and Freddie Mac
 - d. Document the building envelope in terms of materials, condition and an estimation of U-factors for walls, roofs and windows
 - e. Provide a utility rate schedule
 - f. Indicate capacity, efficiency, controls and Remaining Useful Life (RUL) for all existing equipment
 - g. Identify cost effective energy and water conservation measures (EWCMs)
 - h. Identify alternative energy sources as conservation measures
 - i. Identify operational and controls adjustments as conservation measures
 - j. Segregate cost savings as owner savings or tenant savings based on the ultimate responsibility for paying the utility cost (e.g., in the case of RUBS, the tenant will ultimately be paying the utility cost)
 - k. Indicate projected savings in terms of dollars saved, consumption saved and as a percentage of the whole building consumption for each EWCM

- l. Provide costs (inclusive of labor and materials) to implement each EWCM and alternative energy source
- m. Indicate simple payback for each EWCM
- n. Identify the ENERGY STAR Score and the EPA 1-100 Water Score after the Property consumption data is entered into Portfolio Manager
- o. Provide the analysis used to develop the conservation measures
- p. Provide photographs to indicate:
 - General building construction and condition
 - Major equipment types and condition
 - General plumbing and electrical fixture types and condition
 - Predominant appliance types and condition
 - Units inspected

c. Specific requirements for a Green Assessment Plus report (10/12/17)

The Green Assessment Plus report provides a higher degree of accuracy in predicted results by requiring a more detailed analysis. The Green Consultant's work must be based on the ASHRAE Level 2 standard (contained in "Procedures for Commercial and Energy Audits, Second Edition", as amended from time to time) and the requirements of this Chapter 65.

In addition to complying with the requirements for a Green Assessment found in Section 65.3(b), the Green Consultant preparing a Green Assessment Plus must:

- Conduct a more detailed property inspection as described in Section 65.5
- Complete a more detailed energy analysis as described by ASHRAE Level 2 standard
- Identify all assumptions, modeling software used, and calculations used to identify energy and water savings
- Provide a narrative report

65.4 Data collection and records inquiry for the Green Report (10/12/17)

The Green Consultant must:

- Review information pertaining to the operation, maintenance, repair and replacement of heating, cooling and water systems

- Review as-built building plans for the Property when available
- Review available information related to planned capital improvements, inclusive of renovation/rehabilitation scope of work, and/or such work in progress related to heating, cooling, electrical and water systems

The Green Report must identify the information the Green Consultant reviewed and the contacts that the Green Consultant made.

65.5 Property inspection requirements for the Green Assessment (10/12/17)

The Green Consultant must perform an inspection of the exterior and interior of the Property's components sufficient to understand the construction, equipment, maintenance and operations at the Property.

The Green Consultant must inspect all buildings and at least two units of each type, with a minimum of 10 units, in each distinct phase and in each unique building construction type or period. Inspected units should not include any down or unrentable units. All central electrical, plumbing and HVAC equipment must be inspected as well as all typical unit equipment.

The Green Consultant must meet with knowledgeable on site sources to learn about maintenance and operations practices, recent and planned improvements, and problematic issues at the Property.

For a Green Assessment Plus, the Green Consultant's on site work also must include the following:

- A detailed property inspection as described in ASHRAE Table 3 of "Procedures for Commercial and Energy Audits, Second Edition", as amended from time to time
- Measurements and readings for energy as described by the ASHRAE Level 2 standard as well as appropriate water measurements
- A review of the as-built plans and specifications when available

65.6 Acceptability of the Green Report (10/12/17)

The Green Report must be acceptable to Freddie Mac. Upon Freddie Mac's review of the completed Green Report, Freddie Mac may impose additional requirements. The Green Report must identify all appropriate Green Improvements with estimated costs.

65.7 Green Consultant qualifications and requirements (10/12/17)

A Green Consultant who conducts the on-site inspection and completes the analysis for any Green Report must meet the qualifications and requirements specified in this section.

a. General requirements (10/12/17)

The Green Consultant performing the site inspection or completing the Green Report must be familiar with energy and water audits. In addition, the Green Consultant performing the analysis

for the Green Report must be familiar with ASHRAE standards, energy and water modeling and the software that supports this analysis.

b. References and experience (10/12/17)

A Green Consultant performing inspections must have the following qualifications to support the required energy and water analysis:

- Targeted training in the identification and recording of energy and water information for related systems and equipment, and the documentation of building operations and envelope information
- Completion of at least five inspections for energy water audits over the past two years

The Green Consultant completing the energy and water analysis must have the following qualifications:

- Two years of experience with energy and water audits and the successful completion of a minimum of 10 energy and water audits for multifamily properties in the past two years
- Familiarity with the guidelines for Level 1 and Level 2 audits as provided by ASHRAE
- Familiarity with Portfolio Manager
- At least one of the following professional designations:
 - Certified Energy Manager® (CEM) or Certified Energy Auditor (CEA) as certified by the Association of Energy Engineers (AEE)
 - Multifamily Building Analyst (MFBA) as certified by the Building Performance Institute (BPI)
 - High-performance Building Design Professional (HPBD) as certified by ASHRAE
 - Building Energy Assessment Professional (BEAP) as certified by ASHRAE

c. Conflicts of interest/provision of related services (10/12/17)

The Green Consultant may not be affiliated with the Borrower, the Seller/Service, a buyer or seller of the Property, or engaged in any business that might present a conflict of interest. The Green Consultant may not be engaged to perform any repair or remedial work specified in the Green Report.

d. Insurance (10/12/17)

The Green Consultant must provide to the Seller/Service Provider a copy of the original certificate(s) of insurance that indicates that the Green Consultant is, at its own expense, covered by insurance meeting the requirements of Section 11.5.

The Seller/Service Provider must retain the copy of the original certificate(s) of liability insurance in its files.

e. Unacceptable Green Consultants (10/12/17)

The Seller/Service Provider must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Service Provider, for cause, discontinues the use of a Green Consultant who has completed Green Reports within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. The TAH Seller/Service Provider must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Green Reports completed by any specific Green Consultant. Freddie Mac will maintain, on FreddieMac.com, the [Multifamily Restricted Vendor List](#). If a Green Consultant appears on the Multifamily Restricted Vendor List, the Seller/Service Provider may not use that Green Consultant to inspect or perform an energy and water audit for a Property until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Service Providers for the sole purpose of ensuring that unacceptable Green Consultants do not prepare reports for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

65.8 Representations and warranties (09/28/18)

The Seller/Service Provider is deemed to make the warranties regarding the Green Consultant and Green Report set forth in Section 5.4.